

VILLAGE OF MANCHESTER
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF MANCHESTER	County WASHTENAW
Audit Date 6/30/04	Opinion Date 12/6/04	Date Accountant Report Submitted to State: 12/31/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY, CPAs			
Street Address 2880 SPRING ARBOR ROAD	City JACKSON	State MI	ZIP 49203
Accountant Signature <i>Ronald L. Markowski</i>			

VILLAGE OF MANCHESTER
FINANCIAL STATEMENTS
JUNE 30, 2004

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MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
2880 SPRING ARBOR ROAD
JACKSON, MICHIGAN 49203
PHONE (517) 782-9351
FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.
RONALD L. MARKOWSKI, C.P.A.
DOUGLAS E. ATKINS, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of the Village of Manchester, Michigan, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Village at June 30, 2004, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Analysis of Funding Progress are not required parts of the basis financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Village Council
Village of Manchester
Washtenaw County, Michigan

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,


MARKOWSKI & COMPANY, CPAs
December 6, 2004

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The annual audited financial statements report that the Village is in great shape financially. In this difficult economic time, revenues are continuing to exceed expenditures in the general fund. This is made possible with management and the village council working together to reduce costs and take advantage of opportunities to work with others on projects that benefit all and reduce costs. In a condensed format, the table below shows the net assets as of the current date:

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 1,942,396	\$ 2,438,344	\$ 4,380,740
Noncurrent Assets	2,219,690	4,981,661	7,201,351
Total Assets	4,162,086	7,420,005	11,582,091
Current Liabilities	274,014	308,119	582,133
Long-Term Debt Outstanding	1,098,392	2,739,282	3,837,674
Total Liabilities	1,372,406	3,047,401	4,419,807
Net Assets			
Invested in Capital Assets - Net of Debt	924,845	1,433,084	2,357,929
Restricted for Debt Service	105,392	561,655	667,047
Unrestricted	1,759,443	2,377,865	4,137,308
Total Net Assets	\$ 2,789,680	\$ 4,372,604	\$ 7,162,284

Tax rates are remaining stable with the Village rate remaining below the Headlee limit. With water and sewer rates adjusted in the fiscal year, the business type activities are in a much stronger position. The total net assets of the Village are in a strong financial position and can be used to offset any emergent expenditures that may occur.

Management's Discussion and Analysis

The following table shows the changes of the net assets as of the current date:

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Services	\$ 165,984	\$ 509,353	\$ 675,337
Operating grants and Contributions	212,129	-	212,129
Capital grants and Contributions	361,041	910,879	1,271,920
General Revenues			
Property Taxes	607,558	-	607,558
State-Shared Revenues	218,319	-	218,319
Interest Income	21,803	20,097	41,900
Franchise Fees	18,993	-	18,993
Other Income	15,235	5,869	21,104
	<u>1,621,062</u>	<u>1,446,198</u>	<u>3,067,260</u>
Total Revenues			
Program Expenses			
Legislative	88,183	-	88,183
General Government	392,670	-	392,670
Public Safety	342,419	-	342,419
Public Works	305,215	-	305,215
Recreational and Cultural	51,385	-	51,385
Interest on Long Term Debt	68,363	-	68,363
Water and Sewer	-	793,801	793,801
	<u>1,248,235</u>	<u>793,801</u>	<u>2,042,036</u>
Total Expenses			
Change in Net Assets	<u>\$ 372,827</u>	<u>\$ 652,397</u>	<u>\$ 1,025,224</u>

Government Activities

With tax revenues remaining stagnant due to the industrial difficulties in this economic period and state shared revenue declining during the last couple of years, the Village has maintained its strong net asset balance due to cost cutting measures. Positions have been left vacant in the General Government and other cost cutting measures implemented. On the positive side residential development has continued to increase and this will help replace the tax revenues in the future.

Business Type Activities

The business type activities ended the year with increases in net assets. Water and sewer funds are in a stronger financial position due to updated rates implemented early in 2004. The rate restructuring is current with operations and will be looked at on a yearly basis so that the revenues will be in line to carry out the operations of these important services.

General Fund Budgetary Highlights

The annual budget for the year was noted for minor budget violations. These were the result of a couple of street projects that overlapped the fiscal year and the budget was not amended for this. The Village had appropriate assets to pay for these expenditures. Budget goals were accomplished with water and sewer rates being evaluated and implemented.

Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of 2004, the Village had \$6,513,535 invested in a broad range of capital assets, including roads and streets, buildings, water and sewer lines and other equipment. During the year portions of Cass, Lafayette, and Duncan streets were repaved. A portion of East Main Street was reconstructed; sewer and water improvements and pavement were all constructed. The Village is also working with the local school district to build a new road to service a new high school and connect M-52 to Hibbard Street. A special assessment district has been created for a subdivision in order to install a new water main.

Long term debt remains unchanged with the exception of the special assessment district. This debt will be repaid over seven years by the taxes collected from the property owners with no cost to other village residents.

Economic Factors and Next Year's Budgets and Rates

The Village will continue to operate conservatively due to the unstable revenue that is being cut at the state level and the personal property tax base lost due to manufacturing plant closings. The Village continues to stay positive and have prepared for the downturn and look forward to implementing efficient financial practices and anticipate new residential projects that will be beginning. The Village has partnered with Washtenaw Development Council to implement a marketing program to inform possible industrial partners of what the community can offer. These are trying economic times but the Village is positioning ourselves to take advantage of the changes as they continue in the future.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

VILLAGE OF MANCHESTER
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

VILLAGE OF MANCHESTER
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2004

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,518,810	\$ 2,381,365	\$ 3,900,175
Accounts receivable	92,674	127,605	220,279
Due from other governments	95,525	-	95,525
Internal balances	154,222	(145,589)	8,633
Prepaid expenses	79,880	6,776	86,656
Inventory	-	18,187	18,187
Notes receivable - current	1,285	50,000	51,285
Total current assets	<u>1,942,396</u>	<u>2,438,344</u>	<u>4,380,740</u>
NONCURRENT ASSETS			
Land and land improvements	238,807	30,005	268,812
Construction in progress	192,999	534,182	727,181
Distribution and collection system	-	6,634,744	6,634,744
Buildings and equipment	2,403,991	156,778	2,560,769
Infrastructure	69,450	-	69,450
Less - Accumulated depreciation	(814,078)	(2,933,343)	(3,747,421)
Net property and equipment	<u>2,091,169</u>	<u>4,422,366</u>	<u>6,513,535</u>
Notes receivable	128,521	440,000	568,521
Deferred charges	-	119,295	119,295
Total noncurrent assets	<u>2,219,690</u>	<u>4,981,661</u>	<u>7,201,351</u>
Total assets	<u>4,162,086</u>	<u>7,420,005</u>	<u>11,582,091</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable	59,379	14,160	73,539
Accrued interest payable	10,479	39,397	49,876
Accrued payroll	10,070	4,562	14,632
Accrued leave payable	20,654	-	20,654
Deposits	105,500	-	105,500
Bonds, notes, and loans payable	67,932	250,000	317,932
Total current liabilities	<u>274,014</u>	<u>308,119</u>	<u>582,133</u>
NONCURRENT LIABILITIES:			
Bonds, notes, and loans payable	<u>1,098,392</u>	<u>2,739,282</u>	<u>3,837,674</u>
Total liabilities	<u>1,372,406</u>	<u>3,047,401</u>	<u>4,419,807</u>
NET ASSETS:			
Invested in capital assets - net of related debt	924,845	1,433,084	2,357,929
Restricted for debt service	105,392	561,655	667,047
Unrestricted	1,759,443	2,377,865	4,137,308
Total net assets	<u>\$ 2,789,680</u>	<u>\$ 4,372,604</u>	<u>\$ 7,162,284</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities							
Legislative	\$ 88,183	\$ -	\$ -	\$ -	\$ (88,183)	\$ -	\$ (88,183)
General government	392,670	108,212	5,000	106,256	(173,202)	-	(173,202)
Public safety	342,419	10,231	-	-	(332,188)	-	(332,188)
Public works	305,215	47,381	158,814	254,785	155,765	-	155,765
Recreational and cultural	51,385	160	48,315	-	(2,910)	-	(2,910)
Interest on long term debt	68,363	-	-	-	(68,363)	-	(68,363)
Total governmental activities	1,248,235	165,984	212,129	361,041	(509,081)	-	(509,081)
Business-type activities							
Water and sewer	793,801	509,353	-	910,879	-	626,431	626,431
Total government	\$ 2,042,036	\$ 675,337	\$ 212,129	\$ 1,271,920	(509,081)	626,431	117,350
General revenues					607,558	-	607,558
Property taxes					218,319	-	218,319
State-shared revenues					21,803	20,097	41,900
Interest income					18,993	-	18,993
Franchise fees					15,235	5,869	21,104
Other income					881,908	25,966	907,874
Total general revenues							
Change in net assets					372,827	652,397	1,025,224
Net assets - Beginning					2,416,853	3,720,207	6,137,060
Net assets - Ending					\$ 2,789,680	\$ 4,372,604	\$ 7,162,284

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	GENERAL	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS AND OTHER DEBITS</u>					
Cash and cash equivalents	\$ 697,623	\$ 102,444	\$ -	\$ 501,403	\$ 1,301,470
Accounts receivable	27,995	64,532	-	-	92,527
Prepaid expenses	56,781	3,924	7,062	3,011	70,778
Due from other funds	227,769	2,462	88,650	1,042	319,923
Due from other governments	68,556	19,354	7,615	-	95,525
Advances to other funds	5,000	-	-	-	5,000
Notes receivables	129,806	-	-	-	129,806
Total assets and other debits	\$ 1,213,530	\$ 192,716	\$ 103,327	\$ 505,456	\$ 2,015,029
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 45,889	\$ 3,410	\$ 7,909	\$ 1,009	\$ 58,217
Accrued interest payable	10,479	-	-	-	10,479
Accrued payroll	6,277	1,125	1,307	962	9,671
Due to other funds	5,249	70,291	19,927	89,108	184,575
Deposits	105,500	-	-	-	105,500
Deferred revenues	129,806	-	-	-	129,806
Total liabilities	303,200	74,826	29,143	91,079	498,248
<u>FUND BALANCES</u>					
Fund balances - Reserved for debt service	105,392	-	-	-	105,392
Fund balances - Unreserved	804,938	117,890	74,184	414,377	1,411,389
Total fund balances	910,330	117,890	74,184	414,377	1,516,781
Total liabilities, fund equity and other credits	\$ 1,213,530	\$ 192,716	\$ 103,327	\$ 505,456	\$ 2,015,029

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2004

Total fund balance - total governmental funds	\$ 1,516,781
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Includes capital assets of the Internal Service Fund.	2,091,169
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	238,902
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. Includes Internal Service Funds' non-current liabilities.	(1,166,324)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(20,654)
Deferred revenues have been recorded in the governmental funds balance sheet for property sold in prior years that is not due in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>129,806</u>
Net assets of governmental activities	<u><u>\$ 2,789,680</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	GENERAL FUND	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENT FUNDS	TOTAL
REVENUES:					
Taxes and penalties	\$ 713,814	\$ -	\$ -	\$ 168,406	\$ 882,220
Franchise fee	18,993	-	-	-	18,993
Licenses and permits	4,324	-	-	-	4,324
Fees and fines	10,231	-	-	-	10,231
Intergovernmental	218,319	114,005	44,809	-	377,133
Charges for services	54,742	-	-	-	54,742
Rental income	49,146	-	-	-	49,146
Recycling	3,270	-	-	-	3,270
Interest income	17,034	-	-	4,264	21,298
Other revenue	21,421	135,997	-	1,960	159,378
Total revenues	<u>1,111,294</u>	<u>250,002</u>	<u>44,809</u>	<u>174,630</u>	<u>1,580,735</u>
EXPENDITURES:					
Current:					
Legislative	86,075	-	-	-	86,075
General government	352,759	-	-	-	352,759
Public safety	342,419	-	-	-	342,419
Public works	93,745	255,000	196,679	-	545,424
Recreational & cultural	-	-	-	38,278	38,278
Capital outlay	3,514	-	-	-	3,514
Debt service	105,208	-	-	-	105,208
Total expenditures	<u>983,720</u>	<u>255,000</u>	<u>196,679</u>	<u>38,278</u>	<u>1,473,677</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>127,574</u>	<u>(4,998)</u>	<u>(151,870)</u>	<u>136,352</u>	<u>107,058</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	172,500	-	172,500
Operating transfers (out)	-	-	-	(172,500)	(172,500)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>172,500</u>	<u>(172,500)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	<u>127,574</u>	<u>(4,998)</u>	<u>20,630</u>	<u>(36,148)</u>	<u>107,058</u>
FUND BALANCE - Beginning of year	<u>782,756</u>	<u>122,888</u>	<u>53,554</u>	<u>450,525</u>	<u>1,409,723</u>
FUND BALANCE - End of year	<u>\$ 910,330</u>	<u>\$ 117,890</u>	<u>\$ 74,184</u>	<u>\$ 414,377</u>	<u>\$ 1,516,781</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities.
Year ended June 30, 2004

Net change in fund balances - total governmental funds	\$ 107,058
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	265,963
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Funds depreciation expense.	(114,122)
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The net revenue of the Internal Service Fund are included in governmental activities.	74,867
Earned leave expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	247
Revenue from installment sale is reported in the governmental funds, the gain on sale would be recognized in prior years in the statement of activities.	(1,186)
The payments of long term debt consumes the current financial resources of governmental funds. The amount of the effect of this in the statement of activities.	<u>40,000</u>
Change in net assets of governmental activities	<u>\$ 372,827</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

ASSETS	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	
CURRENT ASSETS:				
Cash and cash equivalents	\$ 941,054	\$ 1,440,311	\$ 2,381,365	\$ 217,340
Accounts receivable	44,863	82,742	127,605	147
Prepaid expenses	4,141	2,635	6,776	9,102
Due from other funds	24,577	-	24,577	13,874
Inventory	18,187	-	18,187	-
Total current assets	1,032,822	1,525,688	2,558,510	240,463
NONCURRENT ASSETS				
Land	3,005	27,000	30,005	-
Construction in progress	431,045	103,137	534,182	-
Distribution and collection system	1,169,305	5,465,439	6,634,744	-
Buildings and equipment	25,368	131,410	156,778	501,686
Less - Accumulated depreciation	(277,676)	(2,655,667)	(2,933,343)	(413,782)
Net property and equipment	1,351,047	3,071,319	4,422,366	87,904
Special assessment receivable	460,600	29,400	490,000	-
Deferred charges:				
Unamortized bond discount	2,989	-	2,989	-
Unamortized bond issuance costs	15,704	45,674	61,378	-
Deferred refunding loss	-	54,928	54,928	-
Total noncurrent assets	1,830,340	3,201,321	5,031,661	87,904
Total assets	2,863,162	4,727,009	7,590,171	328,367
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	1,190	12,970	14,160	1,162
Accrued interest payable	6,425	32,972	39,397	-
Accrued payroll	1,670	2,892	4,562	399
Due to other funds	97,130	73,036	170,166	-
Bonds, notes, and loans payable	75,000	175,000	250,000	22,932
Total current liabilities	181,415	296,870	478,285	24,493
NONCURRENT LIABILITIES:				
Bonds, notes, and loans payable	910,000	1,829,282	2,739,282	13,392
Total liabilities	1,091,415	2,126,152	3,217,567	37,885
NET ASSETS:				
Invested in capital assets - net of related debt	366,047	1,067,037	1,433,084	51,580
Restricted for debt service	298,096	263,559	561,655	-
Unrestricted	1,107,604	1,270,261	2,377,865	238,902
Total net assets	\$ 1,771,747	\$ 2,600,857	\$ 4,372,604	\$ 290,482

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	
OPERATING REVENUES:				
Charges for services	\$ 152,199	\$ 323,004	\$ 475,203	\$ 122,810
Connection fees	8,050	26,100	34,150	-
Total operating revenues	<u>160,249</u>	<u>349,104</u>	<u>509,353</u>	<u>122,810</u>
OPERATING EXPENSES:				
Personal services	97,327	138,918	236,245	11,878
Contracted services	17,217	65,012	82,229	630
Utilities	10,429	22,109	32,538	-
Repairs and maintenance	24,270	23,043	47,313	10,777
Insurance	3,793	2,414	6,207	8,337
Other supplies and expenses	18,711	10,646	29,357	13,671
Depreciation	34,985	187,166	222,151	48,665
Total operating expenses	<u>206,732</u>	<u>449,308</u>	<u>656,040</u>	<u>93,958</u>
OPERATING INCOME	<u>(46,483)</u>	<u>(100,204)</u>	<u>(146,687)</u>	<u>28,852</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue	8,229	11,868	20,097	505
Collection of tax assessments	38,773	210,714	249,487	-
Other income	4,501	1,368	5,869	-
Interest expense	(16,175)	(105,540)	(121,715)	(3,155)
Miscellaneous expense	-	(1,155)	(1,155)	-
Amortization of bond issuance costs	(400)	(2,739)	(3,139)	-
Total non-operating revenues (expenses)	<u>34,928</u>	<u>114,516</u>	<u>149,444</u>	<u>(2,650)</u>
Income (loss) before contributions and extraordinary (loss) from defeased debt	(11,555)	14,312	2,757	26,202
CAPITAL CONTRIBUTIONS	553,292	108,100	661,392	-
EXTRAORDINARY (LOSS) - From defeased debt	-	(11,752)	(11,752)	-
Change in net assets	541,737	110,660	652,397	26,202
TOTAL NET ASSETS - Beginning of year	<u>1,230,010</u>	<u>2,490,197</u>	<u>3,720,207</u>	<u>264,280</u>
TOTAL NET ASSETS - End of year	<u>\$ 1,771,747</u>	<u>\$ 2,600,857</u>	<u>\$ 4,372,604</u>	<u>\$ 290,482</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
 PROPRIETARY FUND STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2004

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER FUND	SEWER FUND	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 130,369	\$ 313,127	\$ 443,496	\$ 122,663
Payments to suppliers	(82,336)	(122,561)	(204,897)	(41,459)
Payments to employees	(97,019)	(138,589)	(235,608)	(11,642)
Cash received from other funds	109,815	108,842	218,657	-
Cash paid to other funds	(23,377)	-	(23,377)	(3,456)
Net cash provided (used) by operating activities	37,452	160,819	198,271	66,106
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	490,000	-	490,000	-
Capital contributions	76,311	36,370	112,681	-
Purchase of capital assets	(446,978)	(111,677)	(558,655)	(1,238)
Principal and interest paid on capital debt	(38,000)	(277,916)	(315,916)	(24,907)
Other receipts (payments)	43,484	210,836	254,320	-
Net cash provided (used) by capital and related financing activities	124,817	(142,387)	(17,570)	(26,145)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	8,229	11,868	20,097	505
Net cash provided by investing activities	8,229	11,868	20,097	505
Net increase (decrease) in cash and cash equivalents	170,498	30,300	200,798	40,466
Balances - beginning of year	770,556	1,410,011	2,180,567	176,874
Balances - end of year	\$ 941,054	\$ 1,440,311	\$ 2,381,365	\$ 217,340
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (46,073)	\$ (100,204)	\$ (146,277)	28,852
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	34,575	187,166	221,741	48,665
Change in assets and liabilities				
Receivables - net	(29,880)	(35,977)	(65,857)	(147)
Prepaid expenses	(4,141)	(2,635)	(6,776)	(9,102)
Due from other funds	(23,377)	-	(23,377)	(3,456)
Inventories	(3,983)	-	(3,983)	-
Accounts and other payables	208	3,298	3,506	1,058
Due to other funds	93,434	66,512	159,946	-
Accrued expenses	308	329	637	236
Net cash provided by operating activities	\$ 21,071	\$ 118,489	\$ 139,560	\$ 66,106

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004

	EMPLOYEE INSURANCE FUND	DPW BENEFIT FUND	AGENCY FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 42,273	\$ 47,507	\$ 8,301
Accounts receivable	-	-	2,003
Due from other funds	-	-	2,602
Total assets	<u>\$ 42,273</u>	<u>\$ 47,507</u>	<u>\$ 12,906</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 222	\$ -	\$ 1,756
Accrued leave time	-	22,012	-
Due to other funds	84	-	6,150
Advances from other funds	-	-	5,000
Total liabilities	<u>306</u>	<u>22,012</u>	<u>\$ 12,906</u>
<u>NET ASSETS</u>			
Held in trust for employee benefits	<u>41,967</u>	<u>25,495</u>	
Total liabilities and net assets	<u>\$ 42,273</u>	<u>\$ 47,507</u>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2004

	EMPLOYEE INSURANCE FUND	DPW BENEFIT FUND
ADDITIONS		
Employer contributions	\$ 8,705	\$ -
Interest income	321	403
Total additions	<u>9,026</u>	<u>403</u>
DEDUCTIONS		
Benefits	<u>7,985</u>	<u>936</u>
Change in net assets	1,041	(533)
Net assets - beginning of year	<u>40,926</u>	<u>26,028</u>
Net assets - end of year	<u>\$ 41,967</u>	<u>\$ 25,495</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

VILLAGE OF MANCHESTER
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JUNE 30, 2004

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VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

The accounting methods and procedures adopted by the Village of Manchester conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following is a summary of the significant accounting policies used by the Village of Manchester.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF VILLAGE OPERATIONS -

The Village of Manchester was organized in 1874 and is located in the southwestern portion of Washtenaw County. The Village operates under an elected Village Council and provides services to more than 2,000 residents. These services include law enforcement, water and sewer, and community enrichment and development.

B. REPORTING ENTITY -

As required by generally accepted accounting principles, the financial statements of the Village of Manchester include its primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. On this basis, accordingly, the financial statements of certain other governmental organizations within the Village, such as the school district, are not included in the financial statements of the Village.

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of the Village of Manchester. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column in the fund financial statements.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The Village reports the following nonmajor funds:

The Municipal Street Fund accounts for resources received from special assessment taxes levied for street purposes by making contributions to the Major and Local street funds.

The Parks and Recreation Fund accounts for resources received from special assessment taxes levied for the purpose of operating and maintaining the Village's parks and recreational activities.

The Public Improvement Fund accounts for resources received from the general fund earmarked for public improvements.

The Village reports the following major proprietary funds:

The Water and Sewer Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Additionally, the Village reports the following fund types:

The Equipment Internal Service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

The Village reports the following Fiduciary Funds (not included in government-wide financial statements)

Expendable Trust Funds are funds whose entire resources, principal and income, may be expended in the course of their designated operations. The Village has two expendable trust funds:

The Employee Insurance Fund accounts for resources contributed by the general fund to reimburse Village employees for dental, prescription, and optical charges which they incur.

The DPW Benefit Fund accounts for resources set aside to pay employees accumulated leave time when they leave employment.

Agency funds account for assets held by the Village in a purely custodial capacity. The reporting entity includes three agency funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The agency funds are as follows:

The Payroll Fund accounts for taxes and other employee deductions which are to be distributed to organizations and other government units.

The Tax Revenue Fund accounts for property tax collections to be distributed to various Village funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments and (4) property taxes levied to pay debt. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. CASH AND CASH EQUIVALENTS -

The Village has classified cash on hand in checking accounts as cash for balance sheet purposes. Cash in excess of current requirements is invested by the Treasurer in government pooled accounts. Because these accounts have liquidity similar to a regular checking account, they are presented as a cash equivalent in the financial statements.

F. RECEIVABLES -

The Village of Manchester records various receivables which are listed and described as follows:

- 1) Accounts Receivable - This account is for charges for services which have been billed but not yet received in both the Governmental and Proprietary Fund Types as of June 30, 2004.
- 2) Due From Other Governments - This account is for amounts due from the State of Michigan for State shared revenue in the General Fund. This account is also for amounts due from Washtenaw County for delinquent property taxes in the Tax Revenue Trust and Agency Fund.
- 3) Special Assessment Receivables - This account is for special assessment district for water and sewer expansion to the current distribution and collection system.

G. INVENTORIES -

Inventories are valued at the lower of cost or market. The inventories in the Water and Sewer Enterprise Funds consist of parts and supplies which are available to be sold or used by the Village.

H. PREPAID EXPENSES -

Expenses, material in amount, which provide benefits in a future period have been set up as prepaid. They will be recognized as an expense in the period receiving the benefit.

I. CAPITAL ASSETS -

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

I. CAPITAL ASSETS – (Continued)

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 to 30 years
Water and Sewer lines	30 to 50 years
Roads	10 to 30 years
Vehicles and equipment	3 to 7 years

J. FUND EQUITY -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. ACCUMULATED UNPAID LEAVE PAY -

It is the Village's policy to permit employees to accumulate earned but unused leave time. Accumulated at June 30, 2004, the liability included approximately \$20,654 unpaid leave pay benefits reported in the governmental funds. All leave pay is accrued when incurred in the government-wide and fiduciary fund financial statements.

L. LONG TERM OBLIGATIONS -

In the government wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

M. ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: (Continued)

BUDGET VIOLATIONS -

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>FUND/DEPARTMENT</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>(EXCESS BUDGET VARIANCE)</u>
MAJOR STREET FUND			
Street construction	\$ 70,900	\$ 177,098	\$ (106,198)
Bridge maintenance	79	90	(11)
	<u>\$ 70,979</u>	<u>\$ 177,188</u>	<u>\$ (106,209)</u>
LOCAL STREET FUND			
Administration	\$ 15,967	\$ 18,435	\$ (2,468)
Street construction	70,900	99,837	(28,937)
Bridge maintenance	79	17,208	(17,129)
Total	<u>\$ 86,946</u>	<u>\$ 135,480</u>	<u>\$ (48,534)</u>

NOTE 3 - PROPERTY TAXES:

Real and personal property taxes are levied on each July 1st on the property located in the Village as of the preceding December 31, the lien date. These taxes are due to the Village by the last day of the following September. Real property taxes not paid by this date are considered delinquent, and are sent over to Washtenaw County for collection. Delinquent real property taxes are paid to the Village by Washtenaw County, therefore the General Fund reflects as revenue the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected.

The Village's operating tax rate is currently 15.2741 mills and is distributed as follows:

General Operation	8.2150
Water Systems	0.5233
Highways and Streets	1.6451
Parks and Recreation	0.6278
Debt Service	<u>4.2629</u>
	<u>15.2741</u>

The taxable value of real and personal property located in the Village was \$79,742,215.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 4 - CASH AND INVESTMENTS:

The Village Treasurer is authorized by state law and a resolution from the Board of Trustees to invest surplus funds as follows:

- 1) Bonds or other direct obligations of the United States.
- 2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union.
- 3) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. The maturity date of the commercial paper must not be longer than 270 days from the purchase date, and no more than 50% of any fund may be invested in commercial paper at any time.
- 4) United States government or federal agency obligations repurchase agreements.
- 5) Bankers' acceptances of United States banks.
- 6) Mutual funds composed of investment vehicles which are legal for direct investments by the Village.

The captions on the combined balance sheets relating to cash and cash-restricted and the amounts of the Total (Memorandum Only) columns are as follows:

The restrictions placed on cash include amounts received from the issuance of bonds and amounts set aside for repayment of bond debt.

<u>CARRYING AMOUNT:</u>	<u>GOVERNMENTAL ACTIVITES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL</u>
Cash and cash equivalents	\$ 1,405,768	\$ 1,788,658	\$ 98,081	\$ 3,292,507
Cash restricted	113,042	592,707	-	705,749
	<u>\$ 1,518,810</u>	<u>\$ 2,381,365</u>	<u>\$ 98,081</u>	<u>\$ 3,998,256</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables at June 30, 2004, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Major Street	\$ 64,607
	-	Local Street	966
	-	Parks	273
	-	Employee insurance	84
	-	Sewer	66,936
	-	Water	105,636
	-	Equipment	231
	-	Tax Revenues	5,108
	<u>243,841</u>		<u>243,841</u>
Major	<u>2,462</u>	Sewer	<u>2,462</u>
Local Street	-	Municipal Street	88,500
	-	General	150
	<u>88,650</u>		<u>88,650</u>
Municipal Street	<u>805</u>	Tax Revenues	<u>805</u>
Parks & Recreation	<u>237</u>	Tax Revenues	<u>237</u>
Water	-	Major	3,657
	-	Local street	16,862
	-	Sewer	3,038
	<u>23,557</u>		<u>23,557</u>
Equipment	-	General Fund	5,098
	-	Major Street	2,055
	-	Local Street	3,065
	-	Parks	500
	-	Sewer	2,136
	-	Water	1,019
	<u>13,873</u>		<u>13,873</u>
Tax Revenue Fund	-	Sewer	1,799
	-	Water	803
	<u>2,602</u>		<u>2,602</u>
Total	<u>\$ 376,027</u>	Total	<u>\$ 376,027</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

Capital asset activity of the Village of Manchester for the current year was as follows:

	<u>07/01/03</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/04</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital assets not being depreciated				
Land	\$ 79,901	\$ -	\$ -	\$ 79,901
Construction in progress	-	192,999	-	192,999
Subtotal	<u>79,901</u>	<u>192,999</u>	<u>-</u>	<u>272,900</u>
Capital assets being depreciated				
Buildings	1,782,366	-	-	1,782,366
Improvements other than buildings	158,906	-	-	158,906
Machinery and equipment	616,873	4,752	-	621,625
Infrastructure	-	69,450	-	69,450
Subtotal	<u>2,558,145</u>	<u>74,202</u>	<u>-</u>	<u>2,632,347</u>
Less accumulated depreciation for				
Buildings	205,125	44,789	-	249,914
Improvements other than buildings	65,282	7,945	-	73,227
Machinery and equipment	429,549	59,652	-	489,201
Infrastructure	-	1,736	-	1,736
Subtotal	<u>699,956</u>	<u>114,122</u>	<u>-</u>	<u>814,078</u>
Net capital assets being depreciated	<u>1,858,189</u>	<u>(39,920)</u>	<u>-</u>	<u>1,818,269</u>
Governmental activities capital total				
Capital assets - net of depreciation	<u>\$ 1,938,090</u>	<u>\$ 153,079</u>	<u>\$ -</u>	<u>\$ 2,091,169</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT: (Continued)

Capital asset activity of the Village of Manchester for the current year was as follows:
(Continued)

	<u>07/01/03</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/04</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 30,005	\$ -	\$ -	\$ 30,005
Construction in progress	-	534,182	-	534,182
Subtotal	<u>30,005</u>	<u>534,182</u>	<u>-</u>	<u>564,187</u>
Capital assets being depreciated				
Buildings	10,350	-	-	10,350
Improvements other than buildings	-	-	-	-
Machinery and equipment	134,853	11,575	-	146,428
Distribution and collection system	6,634,744	-	-	6,634,744
Subtotal	<u>6,779,947</u>	<u>11,575</u>	<u>-</u>	<u>6,791,522</u>
Less accumulated depreciation for				
Buildings	1,753	339	-	2,092
Improvements other than buildings	-	-	-	-
Machinery and equipment	66,240	14,394	-	80,634
Distribution and collection system	2,643,199	207,418	-	2,850,617
Subtotal	<u>2,711,192</u>	<u>222,151</u>	<u>-</u>	<u>2,933,343</u>
Net capital assets being depreciated	<u>4,068,755</u>	<u>(210,576)</u>	<u>-</u>	<u>3,858,179</u>
Governmental activities capital total				
Capital assets - net of depreciation	<u>\$ 4,098,760</u>	<u>\$ 323,606</u>	<u>\$ -</u>	<u>\$ 4,422,366</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT: (Continued)

Depreciation expense was charged to programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
Legislative	\$ 2,108
General government	42,483
Public safety	-
Public works	6,457
Recreational & cultural	14,409
Internal service fund depreciation is charged to the various functions based on their usage of assets	<u>48,665</u>
Total governmental activities	<u><u>\$ 114,122</u></u>
BUSINESS TYPE ACTIVITIES	
Water	\$ 34,985
Sewer	<u>187,166</u>
Total business type activities	<u><u>\$ 222,151</u></u>

NOTE 7 - EMPLOYEES' PENSION PLAN:

The Village contributes to a defined contribution pension plan, administered by Principal Mutual Life, which covers all full time salaried and clerical employees.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account and the returns on investments of these contributions. Contributions made by an employee and contributions by the Village both vest immediately. Each employee may contribute 6% to 10% of his or her gross earnings to the pension plan. The Village is required to contribute an amount equal to what each employee contributes up to 6% of the employee's gross earnings, excluding any overtime earnings. Contributions are reduced by plan Administrative charges.

During the year ending June 30, 2004, the Village's required contributions amounted to \$20,192 which was 6.00% of its current year covered payroll. Employees' contributions amounted to \$21,588 which was 6.4% of the Village's current year covered payroll.

Total payroll for the fiscal year ending June 30, 2004, was \$428,759 and total payroll subject to retirement benefits was \$337,283.

The pension plan held no securities on the Village or other related parties during the year or as of the close of the fiscal year.

NOTE 8 - DEFERRED COMPENSATION PLAN:

The Village of Manchester offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Village employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 9 - CHANGES IN LONG-TERM DEBT:

The general long-term debt and other long-term obligations of the Village of Manchester, and the changes therein, may be summarized as follows:

	DEBT OUT- STANDING 07/01/03	ADDITIONS OF NEW DEBT	RETIREMENTS AND REPAYMENTS	DEBT OUT- STANDING 06/30/04
<u>GOVERNMENTAL ACTIVITIES</u>				
2000 General Obligation Bonds, \$1,250,000 maturing serially in annual amounts ranging from \$20,000 to \$100,000 at an interest rate of 5.5% to 5.7%	\$ 1,170,000	\$ -	\$ (40,000)	\$ 1,130,000
Equipment Internal Service Fund. Street sweeper installment purchase agreement - maturing serially in annual amounts of \$14,122 at an interest rate of 5.45%	38,136	-	(12,044)	26,092
Equipment Internal Service Fund. Dump truck installment purchase agreement - maturing serially in annual amounts of \$10,785 at an interest rate of 5.40%	19,940	-	(9,708)	10,232
Total governmental activities	\$ 1,228,076	\$ -	\$ (61,752)	\$ 1,166,324
<u>BUSINESS TYPE ACTIVITIES</u>				
1991 General Obligation Bonds, \$955,000 maturing serially in annual amounts ranging from \$40,000 to \$60,000 at an interest rate of 2.00%.	\$ 474,282	\$ -	\$ (50,000)	\$ 424,282
1993 Unlimited Tax General Obligation Series-A Refunding Bonds, \$1,750,000 maturing serially in annual amounts ranging from \$35,000 to \$95,000 at an interest rate ranging from 3.25% to 6.10%.	1,145,000	-	(85,000)	1,060,000
1993 Limited Tax General Obligation Series-B Refunding Bonds, \$765,000 maturing serially in annual amounts ranging from \$5,000 to \$50,000 at an interest rate ranging from 3.30% to 6.05%.	555,000	-	(35,000)	520,000
1998 Michigan Drinking Water Revolving Fund program bonds. \$620,000 maturing serially in annual amounts ranging from \$25,000 to \$40,000 at an interest rate of 2.5%	520,000	-	(25,000)	495,000
2004 Special assesment bonds . \$490,000 maturing serially in annual amounts ranging from \$50,000 to \$75,000 at an interest rate ranging from 2.0% to 2.7%.	-	490,000	-	490,000
	\$ 2,694,282	\$ 490,000	\$ (195,000)	\$ 2,989,282

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 9 - CHANGES IN LONG-TERM DEBT: (Continued)

The Governmental Activities Debt Bonds were issued to finance the purchase of a new community center. Repayment of the bonds is to be made from taxes assessed. The annual requirements to maturity for principal and interest are as follows:

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2005	\$ 45,000	\$ 62,875
2006	50,000	60,400
2007	50,000	57,650
2008	50,000	54,900
2009	55,000	52,150
Thereafter	880,000	324,950
	<u>\$ 1,130,000</u>	<u>\$ 612,925</u>

The Business Type Bonds were issued to finance construction of the Village's Water & Sewer System. Repayment of the bonds is to be made from revenues generated by the system and from taxes assessed. The remaining annual requirements to maturity for principal and interest are as follows:

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2005	\$ 250,000	\$ 124,087
2006	285,000	113,593
2007	290,000	101,999
2008	250,000	91,935
2009	260,000	83,162
Thereafter	1,654,282	421,624
	<u>\$ 2,989,282</u>	<u>\$ 936,400</u>

The Governmental Activities include the Equipment Internal Service Fund installment purchase agreements were obtained to finance the purchase of new equipment. The remaining annual requirements to maturity for principal and interest are as follows:

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2005	\$ 22,932	\$ 1,975
2006	13,392	730
	<u>\$ 36,324</u>	<u>\$ 2,705</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 10 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for claims.

NOTE 11 – JOINT VENTURE

The Western Washtenaw Construction Authority was organized in January 2000. The Authority operates under an operating agreement between the Village of Manchester and the Townships of Manchester, Freedom and Bridgewater to provide for joint enforcement and administration of construction codes. The agreement provides that if for any reason the expenditures exceed the revenues during any fiscal year, the Authority may require a contribution from the participants.

NOTE 12 – NOTES RECEIVABLE

The Village sold its old village hall in July 2002, on an installment sale. The note bears an interest rate of 8% and payments of \$968.57 including interest are due monthly. The note is current at June 30, 2004.

NOTE 13 - INFRASTRUCTURE

The Village has elected to implement the capitalization of infrastructure over a three-year period as allowed under GASB 34.

VILLAGE OF MANCHESTER
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
Beginning budgetary fund balance	\$ 682,133	\$ 782,756	\$ 782,756	\$ -
Resources (Inflows):				
Taxes -				
Current property taxes	713,651	713,651	713,814	163
Franchise fees	17,000	17,000	18,993	1,993
Licenses and permits	1,500	1,500	4,324	2,824
Fees and fines	3,200	9,200	10,231	1,031
Intergovernmental				
Sales tax	220,000	211,000	209,820	(1,180)
State liquor control	1,700	1,700	1,707	7
State metro act	7,000	7,000	6,792	(208)
Total	228,700	219,700	218,319	(1,381)
Charges for services				
Garbage pickup	52,780	52,780	54,742	1,962
Rental income	55,200	45,400	49,146	3,746
Recycling	-	3,200	3,270	70
Interest income	20,378	17,078	17,034	(44)
Other revenue				
Reimbursements	1,050	1,050	1,534	484
Donations	-	5,000	5,000	-
Sale of property	-	-	1,186	1,186
Miscellaneous	200	2,200	13,701	11,501
Total	1,250	8,250	21,421	13,171
Amounts available for appropriation	\$ 1,775,792	\$ 1,870,515	\$ 1,894,050	\$ 23,535

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
Charges to appropriations (Outflows):				<u>POSITIVE (NEGATIVE)</u>
LEGISLATIVE:				
VILLAGE COUNCIL:				
Personal services	\$ -	-	\$ 75,804	\$ -
Memberships	-	-	320	-
Purchased services	-	-	2,235	-
Operating supplies	-	-	113	-
Printing	-	-	2,884	-
Senior citizens	-	-	1,000	-
Training, education and seminars	-	-	-	-
Community Resource Center	-	-	2,000	-
Chamber of commerce	-	-	500	-
Community promotion	-	-	1,219	-
Miscellaneous	-	-	-	-
Total	<u>85,815</u>	<u>92,115</u>	<u>86,075</u>	<u>6,040</u>
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Personal services	-	-	107,312	-
Operating supplies	-	-	4,343	-
Postage	-	-	2,568	-
Telephone	-	-	2,055	-
Memberships	-	-	1,980	-
Training, education and seminars	-	-	989	-
Purchased services	-	-	57,830	-
Printing	-	-	130	-
Insurance	-	-	24,376	-
Election expenses	-	-	1,113	-
Travel	-	-	1,381	-
Maintenance agreements	-	-	1,321	-
Reimbursements	-	-	1,747	-
Miscellaneous	-	-	544	-
Total	<u>260,862</u>	<u>247,417</u>	<u>207,689</u>	<u>39,728</u>
BUILDING AND GROUNDS:				
Personal services	-	-	13,244	-
Operating supplies	-	-	4,128	-
Public utilities	-	-	44,341	-
Allocation of equipment costs	-	-	11,721	-
Reimbursements	-	-	895	-
Purchased services	-	-	49,733	-
Insurance	-	-	21,008	-
Total	<u>138,359</u>	<u>146,444</u>	<u>145,070</u>	<u>1,374</u>
Total general government	<u>399,221</u>	<u>393,861</u>	<u>352,759</u>	<u>41,102</u>

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
PUBLIC WORKS:				
PARKING LOTS:				
Personal services	\$ -	\$ -	\$ 126	\$ -
Operating supplies	-	-	-	-
Allocation of equipment costs	-	-	23	-
Purchased services	-	-	-	-
Total	817	897	149	748
DEPARTMENT OF PUBLIC WORKS:				
Personal services	-	-	239	-
Operating supplies	-	-	4,202	-
Uniforms	-	-	3,293	-
Medical	-	-	375	-
Purchased services	-	-	1,156	-
Telephone	-	-	2,550	-
Memberships and training	-	-	115	-
Total	11,159	11,959	11,930	29
TREE REMOVAL AND REPLACEMENT:				
Personal services	-	-	2,502	-
Operating supplies	-	-	91	-
Purchased services	-	-	2,775	-
Allocation of equipment costs	-	-	2,567	-
Total	14,784	15,144	7,935	7,209
SIDEWALK CONSTRUCTION:				
Personal services	-	-	830	-
Operating supplies	-	-	-	-
Purchased services	-	-	97	-
Allocation of equipment costs	-	-	50	-
Total	10,108	10,578	977	9,601
LIGHTING:				
Street lighting	33,305	33,305	31,999	1,306
RECYCLING:				
Personal services	-	-	20,748	-
Operating supplies	-	-	66	-
Purchased services	-	-	575	-
Memberships	-	-	-	-
Allocation of equipment costs	-	-	19,291	-
Printing	-	-	75	-
Total	59,961	59,961	40,755	19,206
Total public works	130,134	131,844	93,745	38,099

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
PUBLIC SAFETY:				
POLICE ADMINISTRATION:				
Contracted services - Police	\$ -	\$ -	\$ 326,920	\$ -
Contracted services - Legal	-	-	4,359	-
Operating supplies	-	-	-	-
Total	<u>333,000</u>	<u>335,000</u>	<u>331,279</u>	<u>3,721</u>
PLANNING COMMISSION:				
Personal services	-	-	3,006	-
Operating supplies	-	-	307	-
Purchased services	-	-	5,555	-
Printing	-	-	296	-
Memberships and training	-	-	1,975	-
Total	<u>15,812</u>	<u>15,812</u>	<u>11,139</u>	<u>4,673</u>
Total public safety	<u>348,812</u>	<u>350,812</u>	<u>342,418</u>	<u>8,394</u>
DEBT SERVICE:				
MUNICIPAL BOND EXPENDITURES:				
Bond principal payments	-	-	40,000	-
Interest	-	-	64,708	-
Refunds	-	-	-	-
Purchased services	-	-	500	-
Total	<u>105,350</u>	<u>105,350</u>	<u>105,208</u>	<u>142</u>
CAPITAL OUTLAY:				
Village council	<u>3,515</u>	<u>3,515</u>	<u>3,515</u>	-
Total	<u>3,515</u>	<u>3,515</u>	<u>3,515</u>	-
TOTAL CHARGES TO APPROPRIATIONS	<u>1,072,847</u>	<u>1,077,497</u>	<u>983,720</u>	<u>93,777</u>
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 702,945</u>	<u>\$ 793,018</u>	<u>\$ 910,330</u>	<u>\$ 117,312</u>

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Beginning budgetary fund balance	\$115,663	\$122,888	\$122,888	\$ -
Resources (Inflows):				
Motor Vehicle Highway Fund payments	100,000	100,000	114,005	14,005
Reimbursements	2,500	2,500	3,103	603
Construction contributions	-	-	132,894	132,894
Total revenues	<u>102,500</u>	<u>102,500</u>	<u>250,002</u>	<u>147,502</u>
Charges to appropriations (Outflows):				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Personal services	-	-	11,063	-
Maintenance agreement	-	-	441	-
Insurance	-	-	3,594	-
Purchased services	-	-	568	-
Total	<u>11,717</u>	<u>15,967</u>	<u>15,666</u>	<u>301</u>
PUBLIC WORKS:				
STREET CONSTRUCTION:				
Purchased services	-	-	176,330	-
Operating supplies	-	-	63	-
Allocation of equipment costs	-	-	705	-
Total	<u>110,000</u>	<u>70,900</u>	<u>177,098</u>	<u>(106,198)</u>
STREET MAINTENANCE:				
Personal services	-	-	27,020	-
Operating supplies	-	-	273	-
Allocation of equipment costs	-	-	12,178	-
Repairs and maintenance	-	-	7,407	-
Total	<u>49,366</u>	<u>50,423</u>	<u>46,878</u>	<u>3,545</u>
BRIDGE MAINTENANCE:				
Personal services	-	-	75	-
Allocation of equipment costs	-	-	15	-
Total	<u>79</u>	<u>79</u>	<u>90</u>	<u>(11)</u>

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Charges to appropriations (Outflows): (Continued)				
PUBLIC WORKS: (CONTINUED)				
WINTER MAINTENANCE:				
Personal services	\$ -	\$ -	4,502	\$ -
Miscellaneous	-	-	9	-
Operating supplies	-	-	3,731	-
Allocation of equipment costs	-	-	4,775	-
Total	<u>10,530</u>	<u>13,905</u>	<u>13,017</u>	<u>888</u>
TRAFFIC SERVICES:				
Personal services	-	-	1,232	-
Operating supplies	-	-	423	-
Allocation of equipment costs	-	-	596	-
Total	<u>1,767</u>	<u>2,721</u>	<u>2,251</u>	<u>470</u>
Total public works	171,742	138,028	239,334	(101,306)
OTHER FINANCING SOURCES (USES) -				
Operating transfers in	<u>115,000</u>	<u>58,000</u>	<u>-</u>	<u>(58,000)</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>183,459</u>	<u>153,995</u>	<u>255,000</u>	<u>(101,005)</u>
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 149,704</u>	<u>\$ 129,393</u>	<u>\$ 117,890</u>	<u>\$ (11,503)</u>

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
Beginning budgetary fund balance	\$ 57,086	\$ 53,554	\$ 53,554	\$ -
Resources (Inflows):				
Motor vehicle highway fund payments	40,000	40,000	44,809	4,809
Other	-	-	-	-
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>44,809</u>	<u>4,809</u>
Charges to appropriations (Outflows):				
ADMINISTRATION:				
Personal services	-	-	11,063	-
Purchased services	-	-	462	-
Insurance	-	-	6,469	-
Other	-	-	441	-
Total	<u>14,672</u>	<u>15,967</u>	<u>18,435</u>	<u>(2,468)</u>
PUBLIC WORKS:				
STREET CONSTRUCTION:				
Personal services			4,712	
Operating supplies			3,554	
Purchased services	-	-	86,312	-
Allocation of equipment costs	-	-	5,259	-
Total	<u>80,000</u>	<u>70,900</u>	<u>99,837</u>	<u>(28,937)</u>
STREET MAINTENANCE:				
Personal services	-	-	27,830	-
Operating supplies	-	-	1,509	-
Repairs and maintenance	-	-	4,755	-
Allocation of equipment costs	-	-	13,846	-
Total	<u>46,708</u>	<u>50,423</u>	<u>47,940</u>	<u>2,483</u>
WINTER MAINTENANCE:				
Personal services	-	-	3,453	-
Miscellaneous	-	-	9	-
Operating supplies	-	-	3,731	-
Allocation of equipment costs	-	-	4,531	-
Total	<u>10,604</u>	<u>13,905</u>	<u>11,724</u>	<u>2,181</u>
BRIDGE MAINTENANCE:				
Personal services	-	-	291	-
Purchased services	-	-	16,860	-
Allocation of equipment costs	-	-	57	-
	<u>440</u>	<u>79</u>	<u>17,208</u>	<u>(17,129)</u>

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Charges to appropriations (Outflows): (Continued)				
PUBLIC WORKS: (CONTINUED)				
TRAFFIC SERVICES:				
Personal services	\$ -	\$ -	1,263	\$ -
Operating supplies	-	-	176	
Allocation of equipment costs	-	-	96	-
Total	<u>3,337</u>	<u>2,721</u>	<u>1,535</u>	<u>1,186</u>
Total public works	<u>141,089</u>	<u>138,028</u>	<u>178,244</u>	<u>(40,216)</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in	<u>120,000</u>	<u>172,500</u>	<u>172,500</u>	<u>-</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>155,761</u>	<u>153,995</u>	<u>196,679</u>	<u>(42,684)</u>
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 61,325</u>	<u>\$ 112,059</u>	<u>\$ 74,184</u>	<u>\$ (37,875)</u>

VILLAGE OF MANCHESTER
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	SPECIAL REVENUE FUNDS			
	MUNICIPAL STREET	PARKS AND RECREATION	PUBLIC IMPROVE- MENT	TOTAL
<u>ASSETS</u>				
Cash and cash equivalents	\$ 371,669	\$ 17,481	\$ 112,253	\$ 501,403
Prepaid expenses	-	3,011	-	3,011
Due from other funds	805	237	-	1,042
Total assets	<u>\$ 372,474</u>	<u>\$ 20,729</u>	<u>\$ 112,253</u>	<u>\$ 505,456</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ -	\$ 1,009	\$ -	\$ 1,009
Accrued payroll	-	962	-	962
Due to other funds	88,500	608	-	89,108
Total liabilities	<u>88,500</u>	<u>2,579</u>	<u>-</u>	<u>91,079</u>
Fund Balance:				
Reserved	-	-	-	-
Unreserved	283,974	18,150	112,253	414,377
Total fund balance	<u>283,974</u>	<u>18,150</u>	<u>112,253</u>	<u>414,377</u>
Total liabilities and fund balance	<u>\$ 372,474</u>	<u>\$ 20,729</u>	<u>\$ 112,253</u>	<u>\$ 505,456</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS			
	MUNICIPAL STREET	PARKS AND RECREATION	PUBLIC IMPROVE- MENT	TOTAL
REVENUES:				
Taxes and penalties	\$ 121,891	\$ 46,515	\$ -	\$ 168,406
Interest income	3,159	154	951	4,264
Other revenue	-	1,960	-	1,960
Total revenues	<u>125,050</u>	<u>48,629</u>	<u>951</u>	<u>174,630</u>
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Recreational & cultural	-	38,278	-	38,278
Total expenditures	<u>-</u>	<u>38,278</u>	<u>-</u>	<u>38,278</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>125,050</u>	<u>10,351</u>	<u>951</u>	<u>136,352</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	(172,500)	-	-	(172,500)
Total other financing sources (uses)	<u>(172,500)</u>	<u>-</u>	<u>-</u>	<u>(172,500)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	<u>(47,450)</u>	<u>10,351</u>	<u>951</u>	<u>(36,148)</u>
FUND BALANCE -				
Beginning of year	<u>331,424</u>	<u>7,799</u>	<u>111,302</u>	<u>450,525</u>
FUND BALANCE -				
End of year	<u>\$ 283,974</u>	<u>\$ 18,150</u>	<u>\$ 112,253</u>	<u>\$ 414,377</u>

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2004

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2004

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/04	06/30/05	
BUSINESS TYPE ACTIVITIES								
LIMITED TAX GENERAL OBLIGATION BONDS:								
Series - B Refunding Bonds, Series 1993	08/30/93	\$ 765,000	5.45%	03/01/05	40,000	\$ 40,000	\$ -	\$ 30,455
			5.55%	03/01/06	40,000	40,000	40,000	28,275
			5.65%	03/01/07	45,000	45,000	45,000	26,055
			5.75%	03/01/08	45,000	45,000	45,000	23,512
			5.85%	03/01/09	50,000	50,000	50,000	20,925
			5.95%	3/1/10 thru 11	50,000	100,000	100,000	33,025
			6.00%	3/1/12 thru 13	50,000	100,000	100,000	21,100
			6.05%	3/1/14 thru 15	50,000	100,000	100,000	9,076
Total Limited General Obligation Bonds						\$ 520,000	\$ 480,000	\$ 192,423
UNLIMITED TAX GENERAL OBLIGATION BONDS -								
Series - A Refunding Bonds	08/30/93	\$ 1,750,000	5.40%	03/01/05	85,000	\$ 85,000	\$ -	\$ 62,097
			5.50%	03/01/06	95,000	95,000	95,000	57,507
			5.60%	03/01/07	95,000	95,000	95,000	52,283
			5.70%	03/01/08	50,000	50,000	50,000	46,962
			5.80%	03/01/09	50,000	50,000	50,000	44,113
			5.90%	03/01/10	50,000	50,000	50,000	41,212
			5.90%	03/01/11	55,000	55,000	55,000	38,263
			5.95%	3/1/12 thru 13	55,000	110,000	110,000	66,762
			6.00%	3/1/14 thru 15	50,000	100,000	100,000	53,954
			6.05%	3/1/16 thru 18	50,000	150,000	150,000	58,342
			6.10%	3/1/19 thru 22	45,000	180,000	180,000	37,187
			6.10%	03/01/23	40,000	40,000	40,000	2,440
Total Unlimited Tax General Obligation Bonds						\$ 1,060,000	\$ 975,000	\$ 561,122
						\$ 1,580,000	\$ 1,455,000	\$ 753,545
MICHIGAN MUNICIPAL BOND AUTHORITY:								
Michigan Drinking Water Revolving Fund Progr	09/29/98	\$ 620,000	2.50%	04/01/05	25,000	\$ 25,000		\$ 12,375
			2.50%	04/01/06	30,000	30,000	30,000	11,750
			2.50%	04/01/07	30,000	30,000	30,000	11,000
			2.50%	04/01/08	30,000	30,000	30,000	10,250
			2.50%	04/01/09	30,000	30,000	30,000	9,500
			2.50%	04/01/10	30,000	30,000	30,000	8,750
			2.50%	04/01/11	30,000	30,000	30,000	8,000
			2.50%	04/01/12	35,000	35,000	35,000	7,250
			2.50%	04/01/13	35,000	35,000	35,000	6,375
			2.50%	04/01/14	35,000	35,000	35,000	5,500
			2.50%	04/01/15	35,000	35,000	35,000	4,625
			2.50%	04/01/16	35,000	35,000	35,000	3,750
			2.50%	04/01/17	35,000	35,000	35,000	2,875
			2.50%	04/01/18	40,000	40,000	40,000	2,000
			2.50%	04/01/19	40,000	40,000	40,000	1,000
Total Michigan Drinking Water Revolving Fund Program						\$ 495,000	\$ 470,000	\$ 105,000

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2004

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/04	06/30/05	
General Obligation Bonds: Series 1991	03/28/91	\$ 955,000	2.00%	10/01/04	50,000	\$ 50,000		\$ 7,986
			2.00%	10/01/05	50,000	50,000	50,000	6,986
			2.00%	10/01/06	50,000	50,000	50,000	5,986
			2.00%	10/01/07	50,000	50,000	50,000	4,986
			2.00%	10/01/08	55,000	55,000	55,000	3,936
			2.00%	10/01/09	55,000	55,000	55,000	2,836
			2.00%	10/01/10	55,000	55,000	55,000	1,736
			2.00%	10/01/11	59,282	59,282	59,282	593
						<u>\$ 424,282</u>	<u>\$ 374,282</u>	<u>\$ 35,045</u>
Special Assessment Bonds: Series 2004	03/15/04	\$ 490,000	2.00%	10/01/05	\$ 50,000	\$ 50,000	\$ -	\$ 11,173
			2.00%	10/01/06	70,000	70,000	70,000	9,075
			2.00%	10/01/07	70,000	70,000	70,000	7,675
			2.00%	10/01/08	75,000	75,000	75,000	6,225
			2.10%	10/01/09	75,000	75,000	75,000	4,688
			2.50%	10/01/10	75,000	75,000	75,000	2,963
			2.70%	10/01/11	75,000	75,000	75,000	1,011
Total						<u>\$ 490,000</u>	<u>\$ 440,000</u>	<u>\$ 42,810</u>
						\$ 1,409,282	\$ 1,284,282	\$ 182,855
Total Water and Sewer Enterprise Funds						<u>1,580,000</u>	<u>1,455,000</u>	<u>753,545</u>
						<u>\$ 2,989,282</u>	<u>\$ 2,739,282</u>	<u>\$ 936,400</u>
General Obligation Bonds: Series 2000	06/29/00	\$ 1,250,000	5.50%	05/01/05	45,000	\$ 45,000	\$ -	\$ 62,875
			5.50%	05/01/06	50,000	50,000	50,000	60,400
			5.50%	05/01/07	50,000	50,000	50,000	57,650
			5.50%	05/01/08	50,000	50,000	50,000	54,900
			5.50%	05/01/09	55,000	55,000	55,000	52,150
			5.50%	05/01/10	60,000	60,000	60,000	49,125
			5.50%	05/01/11	60,000	60,000	60,000	45,825
			5.50%	05/01/12	65,000	65,000	65,000	42,525
			5.50%	05/01/13	70,000	70,000	70,000	38,950
			5.50%	05/01/14	75,000	75,000	75,000	35,100
			5.50%	05/01/15	80,000	80,000	80,000	30,975
			5.55%	05/01/16	85,000	85,000	85,000	26,575
			5.60%	05/01/17	90,000	90,000	90,000	21,858
			5.65%	05/01/18	95,000	95,000	95,000	16,817
			5.70%	05/01/19	100,000	100,000	100,000	11,450
			5.75%	05/01/20	100,000	100,000	100,000	5,750
Total General Government Activity						<u>\$ 1,130,000</u>	<u>\$ 1,085,000</u>	<u>\$ 612,925</u>

VILLAGE OF MANCHESTER
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2004

Budgeting Procedures

As discussed in Note 2, the Village spent amounts in excess of the approved budget during the year ended June 30, 2004. This is a violation of Public Act 621 of 1978. The Village should prepare budget amendments as necessary to avoid this situation in the future. Please note the excess amounts deal with construction in progress and were very difficult to budget for.

Segregation of Duties

Because of the limited size of the Village of Manchester's accounting staff, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Village. Village management needs to continue to exercise appropriate management oversight to help compensate for the lack of staff. The only corrective action would be to hire additional staff, which is not practical.

Property Tax Transfers

The Village collects property taxes in a tax agency fund. These funds are then transferred to the fund assessing the tax. The Treasurer currently estimates the amounts of the transfers and the difference between actual taxes collected and the transferred amounts are reconciled at the end of the year. The Village does an excellent job in reconciling taxes; with this reconciliation the amounts to transfer can be easily determined. We recommend that the reconciliation be used to transfer the property taxes in the future.

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
2880 SPRING ARBOR ROAD
JACKSON, MICHIGAN 49203
PHONE (517) 782-9351
FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.
RONALD L. MARKOWSKI, C.P.A.
DOUGLAS E. ATKINS, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

December 6, 2004

Village Council
Village of Manchester

We have audited the basic financial statements of Village of Manchester for the year ended June 30, 2004, and have issued our report thereon dated December 6, 2004. Professional standards require that we provided you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated October 12, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Village of Manchester. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Manchester are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2004. We noted no transactions entered into by Village of Manchester during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Village of Manchester that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Village of Manchester's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Manchester's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Village of Manchester and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


MARKOWSKI & COMPANY, CPAs